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SUBJECT: WINOGRAD FALLOUT AND POLITICAL REPERCUSSIONS

11. (SBU) SUMMARY/OVERVIEW: PM OLMERT SURMOUNTED TWO HURDLES IN THE IMMEDIATE AFTERMATH OF THE APRIL 30 RELEASE OF THE WINOGRAD COMMITTEE'S INTERIM REPORT ON THE SECOND LEBANON WAR: A MAY 2 COALITION MEETING AND A MAY 2 KADIMA FACTION MEETING THAT COULD HAVE SPELLED AN IMMEDIATE END TO HIS POLITICAL CAREER. ON MAY 3, HE ATTENDED (BUT DID NOT ADDRESS) A SPECIAL SESSION OF THE KNESSET, WHERE FACTION LEADERS FROM THE OPPOSITION PARTIES, INCLUDING OPPOSITION LEADER NETANYAHU, CALLED FOR HIS RESIGNATION. TONIGHT, A PLANNED DEMONSTRATION IN DOWNTOWN TEL AVIV WILL DETERMINE WHETHER THE ISRAELI PUBLIC TURNS OUT IN MASSIVE NUMBERS, OR REMAINS RELATIVELY INDIFFERENT. STUDENT STRIKES, INITIATED WEEKS BEFORE THE WINOGRAD REPORT, COULD CONTRIBUTE TO THE NUMBERS OF PROTESTORS WHO SHOW UP. ON MAY 3, THE KNESSET WILL RESUME ITS SUMMER SESSION WITH PLENARY CONSIDERATION OF FOUR NO-CONFIDENCE MOTIONS, BUT, GIVEN THE CURRENT COHESIVENESS OF OLMERT'S 78-MEMBER COALITION, THESE ATTEMPTS TO BRING DOWN THE GOVERNMENT ARE LIKELY TO FAIL. OLMERT IS NOT HOME-FREE, HOWEVER. THE BLISTERING ATTACKS ON HIM AND THE DEMANDS THAT HE RESIGN IN THE MEDIA CONTINUE, AND MUST BE TAKING A TOLL. POLLS SHOW A STRONG MAJORITY OF ISRAELIS SUPPORT EARLY ELECTIONS, BUT THE MECHANISM TO GET THERE IS NOT CLEAR. END SUMMARY.

LIVNI'S MIXED MESSAGES

12. (U) PUNDITS REFER TO LIVNI'S PRESS CONFERENCE OF MAY 2 -- WHERE SHE ANNOUNCED THAT SHE HAD RECOMMENDED THAT OLMERT RESIGN AND PLANNED TO RUN FOR PARTY LEADERSHIP, YET DECIDED TO REMAIN IN HIS GOVERNMENT -- AS A FAILED PUTSCH AND A POLITICAL DISASTER FOR THE FOREIGN MINISTER WHO IS PORTRAYED IN THE MEDIA AS A "RABBIT IN THE HEADLIGHTS." OLMERT HAS NOT FIRED HER, BUT THE MEDIA SPECULATES THAT HE MAY REPLACE HER WITH TRANSPORTATION MINISTER AND FORMER DEFENSE MINISTER SHAUL MOFAZ. MEANWHILE, MFA DG ABRAMOVITCH HAS BEEN NAMED THE PRIMARY POINT PERSON FOR IMPLEMENTING WINOGRAD REFORMS IN COOPERATION WITH THE LIPKIN-SHAHAK COMMITTEE THAT OLMERT CHARGED WITH THIS TASK.

OLMERT EMERGES FROM KADIMA MEETING INTACT

13. (U) ON THE EVENING OF MAY 2, MK YITZHAKI FOLLOWED THROUGH WITH HIS PLEDGED AND RESIGNED AS KNESSET COALITION LEADER (BUT NOT HIS KNESSET SEAT) AFTER CALLING ON OLMERT TO RESIGN EARLIER IN THE DAY. KADIMA MK HANEGBI, WHO HEADS THE KNESSET FOREIGN AFFAIRS AND DEFENSE COMMITTEE, WILL TAKE HIS PLACE. DISSENT FROM MKS WHO HAD PREVIOUSLY CALLED FOR OLMERT'S RESIGNATION (E.G., MKS TIROSH AND NUDELMAN) FIZZLED, WITH ONLY MK SOLODKIN MAINTAINING THIS REFRAIN. OLMERT SUPPORTERS INCLUDE KEY KADIMA STALWARTS SUCH AS MOFAZ AND CONSTRUCTION MINISTER MEIR SHEETRIT, WHO NONETHELESS HAS ANNOUNCED THAT HE INTENDS TO RUN FOR PARTY LEADERSHIP IN THE FUTURE. PUBLIC SECURITY MINISTER AVI DICTER, WHO HAD BEEN PORTRAYED AS BACKING LIVNI, REMAINED IN OLMERT'S CAMP BUT CALLED ON OLMERT NOT TO FIRE LIVNI.

14. (SBU) SHAS: THE SENIOR ADVISOR TO MINISTER MESHULAM NAHARI TOLD POLOFF MAY 2 THAT SHAS STILL SUPPORTS OLMERT AND HIS GOVERNMENT AND WILL STAY IN THE COALITION WITH THE IMMEDIATE GOAL OF IMPLEMENTING THE WINOGRAD RECOMMENDATIONS. SHAS DOES NOT WANT THE GOVERNMENT TO FALL, AND DOES NOT WANT EARLY ELECTIONS.

15. (SBU) PENSIONERS: AN AIDE TO MK ZIV TOLD PRESS OFFICER MAY 2 THAT THE PARTY WAS "TECHNICALLY SUPPORTING OLMERT, BUT THIS SUPPORT WOULD NOT (LAST) FOREVER." THE PARTY IS NOT PARTICULARLY UNITED, BUT IS NOT INTERESTED IN EARLY ELECTIONS. MK ZIV PREFERS SHIMON PERES AS THE NEXT PM, AND FORMER LIKUD MK AND SPEAKER REUVEN RIVLIN FOR PRESIDENT.

16. (SBU) YISRAEL BEITEINU: AN AIDE TO MINISTER AVIGDOR LIEBERMAN TOLD POLOFF EARLIER IN THE WEEK THAT YB WILL REMAIN IN THE GOVERNMENT, AND WON'T SUPPORT INTERNAL EFFORTS TO OUST OLMERT, OR THE OPPOSITION CALL FOR EARLY ELECTIONS.

KNESSET DEBATES WINOGRAD REPORT IN SPECIAL SESSION

17. (U) ON MAY 3, THE KNESSET CONVENED IN EXTRAORDINARY SESSION TO DISCUSS THE WINOGRAD REPORT. PM OLMERT DID NOT ADDRESS THE FACTION DEBATE BUT WAS PRESENT TO HEAR FACTION LEADERS DISCUSS THE REPORT. THE DEBATE WAS OPENED BY OPPOSITION LEADER BINYAMIN NETANYAHU WHO CALLED FOR PM OLMERT'S RESIGNATION AND ELECTIONS. NETANYAHU SAID THE PRIME MINISTER HAD FAILED IN HIS HANDLING OF THE SECOND LEBANON WAR AND MUST RESIGN. "THOSE WHO FAILED AT WAR CANNOT BE THOSE WHO CORRECT THE FAILURES," HE SAID. IN CLEAR ANTICIPATION OF TONIGHT'S SCHEDULED RALLY IN TEL AVIV, NETANYAHU CONCLUDED HIS SPEECH WITH A CALL TO THE PEOPLE OF ISRAEL: "A GOVERNMENT AND THE ELECTED REPRESENTATIVES OF THE PUBLIC DRAW THEIR AUTHORITY FROM THE PEOPLE. THE ROOTS OF AUTHORITY AND LEGITIMACY OF THIS GOVERNMENT HAVE DRIED UP. IN A DEMOCRACY, THE PEOPLE ARE SOVEREIGN AND WE MUST RETURN TO THE PEOPLE AND LET IT HAVE ITS SAY (I.E., THROUGH THE BALLOT BOX) LET US GO TO THE PEOPLE AND RESTORE ITS HOPE," NETANYAHU CONCLUDED.

DEFENSE MINISTER SKIPS KNESSET DEBATE, AND STAYS ON....

18. (U) LABOR MK SHELLY YACHIMOVICH, A PROTGE OF DEFENSE MINISTER AMIR PERETZ, IS REPORTED TO HAVE MET WITH HIM YESTERDAY AND URGED HIM TO RESIGN. PERETZ, WHO HAS ALREADY ANNOUNCED PLANS TO LEAVE THE MINISTRY OF DEFENSE AFTER THE LABOR LEADERSHIP ELECTIONS AT THE END OF MAY, WAS RUMORED TO BE CONSIDERING RESIGNATION YESTERDAY. HOWEVER, THE MORNING MEDIA REPORTED THAT HE HAD DECIDED AGAINST SUCH A STEP FOR THE TIME BEING. PERETZ SKIPPED THE KNESSET DEBATE ON THE WINOGRAD REPORT AT MIDDAY TODAY -- MUCH TO THE DISPLEASURE OF BOTH RIGHT AND LEFT WING MKS.

MINISTRY OF FOREIGN AFFAIRS IN AN UPROAR

19. (SBU) MFA CONTACTS HAVE TOLD US THAT FM LIVNI'S WORK CALENDAR HAS REFLECTED INCREASING FOCUS ON POLITICAL ACTIVITY, AT THE EXPENSE OF HER NORMAL MFA DUTIES. ONE CONTACT CHARACTERIZED THE CAFETERIA CHATTER AS "UNBELIEVABLE" AND UNPRECEDENTED: HE SAID HE HEARD MANY COLLEAGUES WONDERING ALOUD WHETHER IT WAS ACCEPTABLE FOR THEM TO JOIN THE PROTEST TO DEMAND OLMERT'S RESIGNATION IN TEL AVIV THIS EVENING. OTHER CONTACTS TOLD US THAT THEY WERE NOT SURPRISED AT LIVNI'S RESPONSE YESTERDAY, ARGUING THAT IT WAS A STEP TOO FAR AT THIS POINT IN HER POLITICAL CAREER. THEY REMAIN CONCERNED THAT OLMERT WILL NOW SEEK "REVENGE" OF SOME SORT AGAINST LIVNI AND THAT THE MFA WILL PAY A PRICE EVEN IF THE PM PLEDGES TO FOLLOW WHATEVER CORRECTIONS IN THE POLICY DECISION-MAKING PROCESS ARE RECOMMENDED BY THE PROPOSED COMMISSION.

DEMONSTRATIONS ARE LIKELY TO BE MOSTLY STUDENTS

¶10. (U) A STUDENT UNION LEADER FROM BEN GURION UNIVERSITY TOLD POLOFF THAT "TENS OF THOUSANDS" OF STUDENTS ARE EXPECTED TO PARTICIPATE IN THE DEMONSTRATION IN DOWNTOWN TEL AVIV THIS EVENING. AN APRIL PROTEST/STRIKE ORGANIZED BY UNIVERSITY STUDENTS ANGERED BY THE CURRENT GOVERNMENT'S ALLEGED FAILURE TO IMPLEMENT A TUITION REDUCTION COMMITMENT BROKERED BY NONE OTHER THAN JUDGE WINOGRAD IN 2001, HAS CONTINUED, AND BROUGHT IN SOME HIGH SCHOOL STUDENTS AND THEIR TEACHERS AS WELL. THUS FAR, THE STUDENTS HAVE REJECTED A COMPROMISE OFFERED BY THE GOI AND MAY NOW JUMP ON THE WINOGRAD INTERIM REPORT RELEASE AS A VEHICLE TO AMPLIFY THEIR GRIEVANCES. MOREOVER, MANY OF THE RESERVISTS CALLED UP IN THE SECOND LEBANON WAR WERE STUDENTS.

NEXT WEEK: KNESSET SUMMER SESSION BEGINS WITH NO-CONFIDENCE MOTIONS

¶11. (U) THE KNESSET PLENARY WILL CONVENE ON MONDAY, MAY 7, IN THE MORNING. ON THE DOCKET ARE FOUR NO-CONFIDENCE MEASURES. THIS IS NOT UNUSUAL -- THE GOVERNMENT COALITION NORMALLY FACES SUCH CHALLENGES EACH MONDAY THE KNESSET IS IN SESSION. HOWEVER, THERE WILL BE GREATER ATTENTION ON THESE VOTES -- WHICH WILL CLARIFY WHETHER THE 78-MEMBER COALITION WILL MAINTAIN DISCIPLINE IN THE WAKE OF WINOGRAD AND SECURE THE REQUISITE 61 (OUT 120 VOTES) TO DEFEAT SUCH MOTIONS. IF THE KNESSET MAJORITY EXPRESSES NO CONFIDENCE IN THE GOVERNMENT, THE GOVERNMENT SHALL BE DEEMED TO HAVE RESIGNED ON THE DAY OF THE EXPRESSION OF NO CONFIDENCE, BUT SUCH A VOTE -- UNLIKELY TO SUCCEED AT THIS JUNCTURE --WOULD NOT NECESSARILY LEAD TO EARLY ELECTIONS.